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FISCAL IMPACT REPORT

SPONSOR: Taylor, J.G. DATE TYPED: 01/31/01 HB 164

SHORT TITLE: Municipal Water & Wastewater Excise Tax SB _____

ANALYST: Eaton

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY01	FY02			
	See narrative		Recurring	Muni Water & Wastewater Systems
	See narrative		Recurring	TRIMS/NMFA Administration Fees

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

This bill would authorize any municipality, with voter approval, to impose the local option gross receipts tax at a rate up to 1 percent to fund municipal water systems and wastewater systems financed by special obligation bonds. The increments of the tax are imposed at rates of 1/16 of 1 percent. The limit of \$9 million in the amount of bonds would be eliminated by this bill.

This bill has an emergency clause and would become effective immediately upon signing.

Significant Issues

The supplemental municipal gross receipts tax was effectively eliminated by the legislature in 1986. Currently, the cities of Raton and Ruidoso got in under the wire and impose the tax, each at a rate of 1 percent.

The statewide weighted average gross receipts tax rate is about 5.89%. The tax rate in Albuquerque, one of the lower tax rates in the state at 5.8125%, has a strong influence on that weighted average, and the majority of municipal locations have tax rates in excess of 6 percent. The tax rate in Raton is 7 percent and the tax rate in Ruidoso is 7.1875%.

FISCAL IMPLICATIONS

The Taxation and Revenue Department (TRD) is unable to predict how many municipalities might make use of the supplemental municipal gross receipts tax to fund water and wastewater systems. If all municipalities were to impose such a tax the annual municipal revenue would be on the order of \$252 million to \$267 million and the associated TRD administrative fees would be about \$8 million. That level of revenue should be able to support approximately \$3.2 billion in bonds for water and wastewater systems (assuming 20 year bonds at 5% and a coverage ratio of 1).

The 3% TRD administrative fees are directed to TRIMS bonds issued through the New Mexico Finance Authority (NMFA) through December 2006 or the date the bonds are fully discharged. After that date, TRD administrative fees are directed to the general fund.

The TRD warns that since this local option tax is designed to be pledged toward special obligation bonds, and no legislative action may interfere with existing bonds, the legislature might find its options somewhat more limited when dealing with gross receipts tax issues in the future.

ADMINISTRATIVE IMPLICATIONS

The Taxation and Revenue Department (TRD) report that a administrative burden on the department could be associated with any widespread utilization of the supplemental municipal gross receipts tax.

JBE/njw